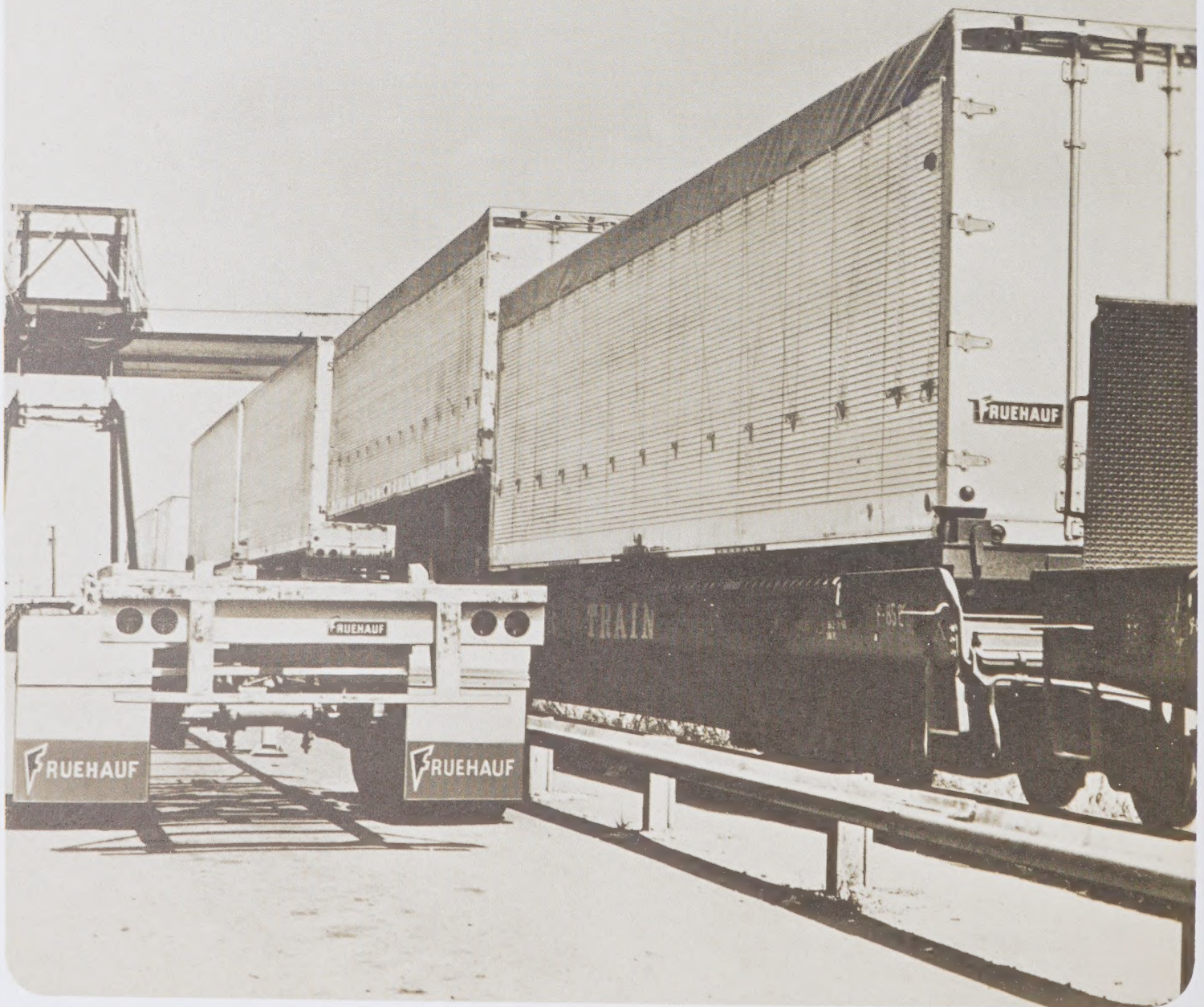


AR25

1967 ANNUAL REPORT • FRUEHAUF TRAILER COMPANY OF CANADA LIMITED







FINANCIAL HIGHLIGHTS

	1967	1966
Net Sales.....	\$22,952,426	\$22,911,688
Earnings before Taxes on Income.....	3,348,376	3,595,031
Per cent to Sales.....	14.6	15.7
Net Earnings	1,570,376	1,670,031
Per Share.....	1.74	1.85
Dividends per Share75	.50
Net Assets (Book Value) per Share.....	15.39	13.72
Return on Shareholders' Investment.....	12.7	15.6
Number of Shareholders.....	391	347
Number of Employees.....	846	853

ANNUAL MEETING OF SHAREHOLDERS

PIGGYBACK—Versatile "Open Top" units used as a closed van or adaptable for over-height cargo by roll-back tarp top. Units are loaded here with and without running gear to meet carriers' piggyback shipment demands.

The Annual Meeting of Shareholders of the Fruehauf Trailer Company of Canada Limited will be held on Thursday, April 25, 1968 at 2.30 p.m. (Toronto Time) at the Executive Offices, 2450 Stanfield Road, Dixie, Ontario. Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statement are mailed on or about April 4, 1968.

DIRECTORS—

H. E. Foulkrod	<i>Senior Executive Vice President, Fruehauf Corporation, Detroit, Michigan</i>
W. E. Grace	<i>President of the Company and President of Fruehauf Corporation, Detroit, Michigan</i>
D. A. Grinstead	<i>Vice President of the Company, Toronto, Ontario</i>
W. T. McDougall	<i>Treasurer of the Company, Toronto, Ontario</i>
R. D. Rowan	<i>Vice President—Finance, Fruehauf Corporation, Detroit, Michigan</i>
E. L. Rushmer	<i>Secretary of the Company and Vice President and Secretary, Fruehauf Corporation, Detroit, Michigan</i>
R. J. Telford	<i>Retired: Previous Vice President of the Company, Toronto, Ontario</i>

OFFICERS—

W. E. Grace	<i>President</i>
D. A. Grinstead	<i>Vice President</i>
W. T. McDougall	<i>Treasurer</i>
E. L. Rushmer	<i>Secretary</i>
N. A. Ryan	<i>Assistant Treasurer and Assistant Secretary</i>
A. Purdon	<i>Assistant Secretary</i>

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited,
Toronto and Montreal

AUDITORS

Touche, Ross, Bailey & Smart,
Toronto, Ontario

SOLICITORS

Borden, Elliot, Kelley & Palmer,
Toronto, Ontario

PIGGYBACK—Conventional "High Cube" van trailers being loaded here for rail shipment. Fruehauf vans in dry freight and refrigerated models contribute to fast, economical piggyback service across Canada.



REPORT ON OPERATIONS - 1967



TO OUR SHAREHOLDERS:

Sales by your Company set another record in 1967. This marks the fourth successive year of increased sales. As a result of labour strikes at our two main locations, profit improvement did not keep pace with the sales achievement. Total sales for the year were \$22,952,426 compared to \$22,911,688 in 1966. Pre-tax profits at \$3,348,376, the second highest earnings before tax in our history, were equal to 14.6% of sales. Net earnings, after taxes on income of \$1,778,000, were \$1,570,376, exceeded only by the \$1,670,031 earned in the previous year. Our net earnings were \$1.74 per share, equal to 6.8% on sales, and represent a return on shareholders' equity of 12.7%.

In 1967 our operations were adversely affected by work stoppages during the year. The Dixie manufacturing plant suffered a nine week strike shutdown which commenced June 19, at which time the plant was at a peak production level. The main Toronto branch location was closed by a strike for a three week period starting July 31. We have estimated the effect of the work stoppages to be a reduction in income during the strike period of approximately thirty-two cents per share. In view of the above, we believe the earnings record of the current year continues to show a favourable trend.

On March 17, 1967, your Company paid an increased dividend of seventy-five cents per share based on 1966 earnings. In view of the relatively high level of earnings continuing through 1967, the Board of Directors declared a further dividend of seventy-five cents per share on March 11, 1968. This dividend is payable April 8, 1968 to holders of record on March 21, 1968. Once again, Fruehauf Corporation, the major shareholder, has waived its right to the dividend, to make the funds available for working capital purposes.

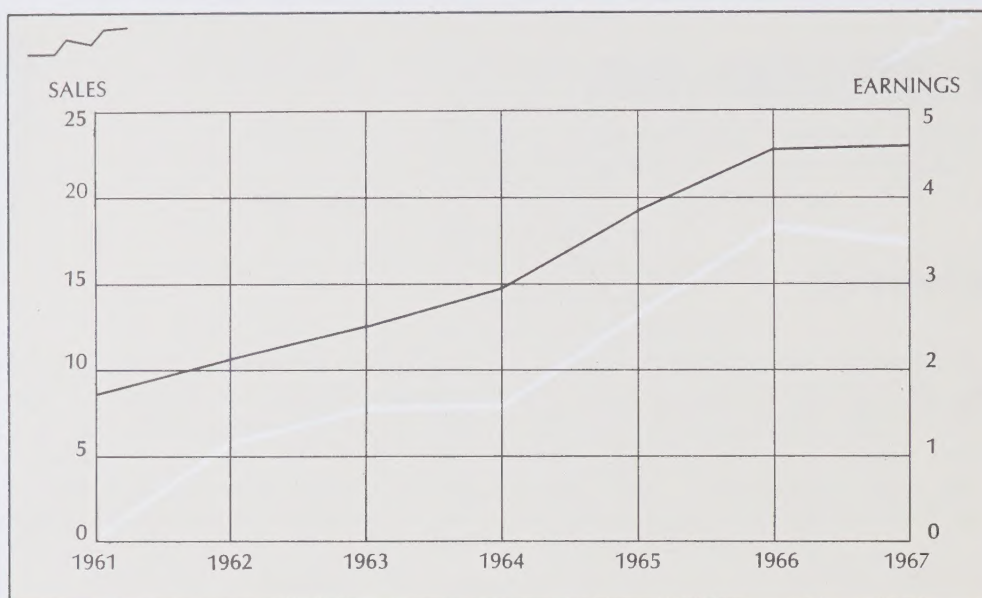
Again in 1967, we were able to defer the time of payment of income tax on a further portion of our sales related to equipment sold under installment contracts. The total tax payment deferred to date is \$1,072,600, including the addition of \$123,600 in the current year. For financial reporting purposes, the profit on such equipment sold is reflected as income at the time of sale. Although this

\$1,072,600 of deferred taxes is included under the caption "Current Liabilities" on the Balance Sheet, due to installment contracts being included in current assets, this amount is not required to be paid in the current year. So long as there continues to be an increase in installment contracts receivable, the amount of tax deferred will continue to increase.

We achieved a reduction in bank borrowings during the year and at the same time repaid \$900,000 of the note to Fruehauf Corporation. A major factor contributing to our ability to effect these reductions in debt was the decrease in inventories of \$930,000. During the year we also reduced our open accounts receivable by \$1,099,000 and at the same time achieved a desirable increase of \$994,000 in income producing installment contracts. This continuing trend of expanding notes receivable has been most beneficial to our operations; finance revenue increased by 19% in the current year to \$919,900. We have a strong working capital position and an adequate line of credit for the projected cash requirements of the coming year.

Last year we outlined our plans on a branch facilities expansion programme and in February, 1967, we opened a completely new branch in Quebec City. Later in the year we completed extensions to service facilities in Calgary and Edmonton. Presently we are in the process of extending our Montreal service branch with completion anticipated in May. These construction projects increased our expenditures in fixed assets beyond our normal replacement level. Total expenditures on property, plant and equipment were \$785,400, an increase of 93% over 1966. Depreciation of \$305,800 was charged against operations, representing an increase of 7%. Although no major expansion of facilities is scheduled for 1968, our plans do call for the continued regular improvement of tooling and equipment at both manufacturing and service locations. We follow a practice of depreciation on a straight line basis from acquisition date for financial reporting purposes and at the same time we claim maximum capital cost allowances available for tax purposes, in order to conserve cash. To provide for the period in time when depreciation for financial

NET SALES and EARNINGS BEFORE TAXES ON INCOME



reporting may exceed the maximum capital cost allowances for tax purposes, we are providing a deferred taxes reserve under the caption "Other Liabilities" which at December 31, 1967 amounted to \$192,200.

Last year we outlined the progress on the government contract for the production of a 4,000 gallon stainless steel aircraft refueller. The original contract for 150 units was completed during the year and in addition, a further contract for 20 similar units was obtained and the equipment produced before year-end. We have two other government contracts in process for lesser quantities of this type of specialized equipment which will carry-over into 1969.

We have maintained our position of leadership in the truck trailer industry. Your Company continues to produce the most efficient road transport equipment available for the full range of shipping requirements. During the year we completed orders for specialized container equipment for both rail and sea shipment. These units are built to exacting standards for stacking interlocking and years of rugged performance. Containers of one of these orders for a west coast sea route are pictured in this report. As containerization takes hold in the Canadian transportation field, Fruehauf is in a position to supply a complete range of proven equipment. In addition our association with Fruehauf Corporation (U.S.) provides full access to the benefits of its technology and developments in the "Total Transportation" concept.

Our forecast for the coming year indicates an industry volume comparable to 1967. We have set a target to exceed all prior sales records and our

commencement into 1968 provides every indication at this point that we can achieve our goals. By exerting cost controls and careful analysis of manufacturing methods and equipment, we plan to maintain strong profit results.

In June, Mr. D. A. Grinstead was appointed Vice President, replacing Mr. R. J. Telford, who retired after eleven years of active service with the Company. Mr. Telford will continue to serve as a Director. Mr. Grinstead has been with the Company in various sales and administrative capacities since 1948 and most recently was manager of our largest branch, located at Toronto. During the year the Board of Directors was increased to seven members; Mr. D. A. Grinstead and Mr. W. T. McDougall, our Treasurer, who has also been associated with the Company since 1948, were elected Directors of the Company.

Your Directors take this opportunity to extend their appreciation to our employees, our distributors and dealers, for their contribution to our results in 1967. We also wish to thank our shareholders and customers for the confidence they have shown in our activities and products.

On behalf of the Board

W. E. Grace
President

D. A. Grinstead
Vice President

March 25, 1968



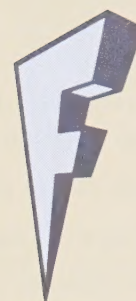
STATEMENT OF NET EARNINGS

YEARS ENDED DECEMBER 31, 1967 AND DECEMBER 31, 1966

REVENUES	1967	1966
Commercial sales	\$20,077,962	\$21,181,195
Government sales	2,874,464	1,730,493
NET SALES	<u>\$22,952,426</u>	<u>\$22,911,688</u>
Finance revenue	919,850	775,477
Miscellaneous	45,129	16,330
	<u>\$23,917,405</u>	<u>\$23,703,495</u>
 COST AND EXPENSES		
Cost of products and service sold, other than items below	\$17,354,237	\$17,088,892
Selling and administrative expenses	1,729,576	1,697,042
Depreciation	870,094	743,372
Taxes—property, payroll and miscellaneous	286,365	252,443
Interest (including \$203,104 in 1967 and \$219,186 in 1966) on long-term debt	328,757	326,715
	<u>\$20,569,029</u>	<u>\$20,108,464</u>
 EARNINGS BEFORE TAXES ON INCOME	 \$ 3,348,376	 \$ 3,595,031
Taxes on income (including deferred amounts of \$182,400 in 1967 and \$267,400 in 1966) Note B	1,778,000	1,925,000
NET EARNINGS	<u><u>\$ 1,570,376</u></u>	<u><u>\$ 1,670,031</u></u>

BALANCE SHEETS • FRUEHAUF TRAILER COMPANY OF CANADA LIMITED (Incorporated under the

ASSETS	December 31, 1967	December 31, 1966
CURRENT ASSETS		
Cash	\$ 123,378	\$ 326,585
Trade receivables		
Installment contracts (including installments of approximately \$6,119,073 maturing after one year) less unearned finance charges of \$1,114,250 at December 31, 1967	\$10,001,350	\$ 9,007,303
Accounts receivable	2,561,819	3,660,842
	<hr/> \$12,563,169	<hr/> \$12,668,145
Inventories (Note A)	4,800,554	5,731,247
Prepaid expenses	64,650	72,811
	<hr/> \$17,551,751	<hr/> \$18,798,788
TOTAL CURRENT ASSETS		
INVESTMENTS AND OTHER ASSETS		
Equipment leased to customers—at cost less accumulated depreciation of \$1,602,873 at December 31, 1967 (Note A) ...	\$ 1,848,143	\$ 1,687,672
Miscellaneous accounts and investments	158,329	184,118
Special refundable tax	85,806	26,318
	<hr/> \$ 2,092,278	<hr/> \$ 1,898,108
PROPERTY, PLANT AND EQUIPMENT		
Land—at cost	\$ 560,188	\$ 560,766
Buildings and equipment — at cost	2,937,502	2,475,257
Machinery and other equipment—at cost	2,793,773	2,556,321
	<hr/> \$ 6,291,463	<hr/> \$ 5,592,344
Less accumulated depreciation	2,315,933	2,096,384
	<hr/> \$ 3,975,530	<hr/> \$ 3,495,960
TOTAL ASSETS	<hr/> \$23,619,559	<hr/> \$24,192,856



LIABILITIES AND SHAREHOLDERS' INVESTMENT

	December 31, 1967	December 31, 1966
CURRENT LIABILITIES		
Notes payable to bank—secured	\$ 1,250,000	\$ 1,770,000
Accounts payable and accrued expenses		
Trade accounts	1,393,899	1,447,655
Salaries, wages and employee benefits	366,103	368,064
Taxes—property, payroll and sales	256,905	266,886
Interest	17,068	18,172
	<hr/>	<hr/>
	\$ 3,283,975	\$ 3,870,777
Taxes on income	479,866	1,247,975
Deferred taxes on income (Note B)	1,072,600	949,000
Due to Fruehauf Corporation	356,419	243,637
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	\$ 5,192,860	\$ 6,311,389
	<hr/>	<hr/>
OTHER LIABILITIES		
Deferred taxes on income (Note B)	\$ 192,200	\$ 133,400
4% Note to Fruehauf Corporation	2,500,000	3,400,000
5 $\frac{1}{4}$ % Sinking Fund Debentures, Series "A" due November 1, 1976; redemption price to November 1, 1968, 102 $\frac{1}{4}$ % de- creasing $\frac{1}{4}$ of 1% each year thereafter; annual sinking fund requirements of \$150,000 (no sinking fund payments required until 1969)	1,849,000	1,973,000
	<hr/>	<hr/>
	\$ 4,541,200	\$ 5,506,400
	<hr/>	<hr/>
SHAREHOLDERS' INVESTMENT		
Capital stock, without nominal or par value		
Authorized 2,000,000 shares		
Issued and outstanding 901,925 shares	\$ 5,149,063	\$ 5,149,063
Earnings retained for use in the business	8,736,436	7,226,004
	<hr/>	<hr/>
	\$13,885,499	\$12,375,067
	<hr/>	<hr/>
COMMITMENTS AND CONTINGENT LIABILITIES (Notes C and D)		
On behalf of the Board		
W. T. McDougall, Director		
R. D. Rowan, Director		
	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	\$23,619,559	\$24,192,856
	<hr/>	<hr/>

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

YEARS ENDED DECEMBER 31, 1967 AND DECEMBER 31, 1966

	1967	1966
Balance at beginning of year	\$7,226,004	\$5,594,973
Net earnings for the year	1,570,376	1,670,031
	<u>\$8,796,380</u>	<u>\$7,265,004</u>
Less		
Cash dividends paid, \$0.75 a share on 79,925 shares (Note E) ..	59,944	39,000
Balance at end of year	<u>\$8,736,436</u>	<u>\$7,226,004</u>

STATEMENT OF WORKING CAPITAL

YEARS ENDED DECEMBER 31, 1967 AND DECEMBER 31, 1966

SOURCES OF WORKING CAPITAL

OPERATIONS

	1967	1966
Net earnings for the year	\$ 1,570,376	\$ 1,670,031
Depreciation of equipment leased to customers	564,313	457,234
Depreciation of plant and equipment	305,781	286,138
Increase in deferred taxes on income included in other liabilities	58,800	50,000
TOTAL FROM OPERATIONS	<u>\$ 2,499,270</u>	<u>\$ 2,463,403</u>

OTHER

Decrease in miscellaneous accounts and investments	\$ 25,789	10,568
Proceeds from sale of capital stock	<u>—</u>	<u>24,063</u>
	<u>\$ 2,525,059</u>	<u>\$ 2,498,034</u>

APPLICATION OF WORKING CAPITAL

Cash dividend	\$ 59,944	\$ 39,000
Additions to property, plant and equipment, less disposals	785,351	407,528
Additions to equipment leased to customers, less disposals	724,784	988,922
Payment on long-term debt	1,024,000	100,000
Special refundable tax	59,488	26,318
	<u>\$ 2,653,567</u>	<u>\$ 1,561,768</u>

NET DECREASE (INCREASE*) IN WORKING CAPITAL FOR YEAR ..	\$ 128,508	\$ 936,266*
WORKING CAPITAL AT BEGINNING OF YEAR	12,487,399	11,551,133
WORKING CAPITAL AT END OF YEAR	<u>\$12,358,891</u>	<u>\$12,487,399</u>



NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1967

Note A — Inventories and Equipment Leased to Customers

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable amount.

A summary of inventories follows

	December 31,	
	1967	1966
New trailers	\$ 863,020	\$1,253,834
Production parts, work in process and raw materials	1,778,072	2,376,616
Service parts and orders in process	1,733,385	1,669,215
Used trailers	426,077	431,582
	<u>\$4,800,554</u>	<u>\$5,731,247</u>

Lease rental payments are recognized as income in the period in which they are earned, and the costs of the equipment are depreciated over their useful lives on a straight-line basis.

Note B — Deferred Taxes on Income

Profit arising from sales financed by installment contracts is recognized for financial reporting purposes in the year of sale. Such profit is recognized for tax purposes over the terms of the contracts. Since the installment receivables are included in current assets, the deferred taxes on income arising from the difference in the method of reporting income is included as a current liability.

Deferred taxes on income arising from the use of straight-line depreciation of property, plant and equipment for financial reporting purposes and accelerated methods for tax purposes is shown as "Other Liabilities".

Note C — Long-term Leases

The company is lessee under long-term leases for the sales and service branches. The annual rental on such properties will approximate \$178,000 in 1968, exclusive of taxes, insurance, maintenance and repairs, which are also payable by the company. The company has the right to purchase three of these properties and if these rights were exercised, the aggregate purchase price would amount to approximately \$981,000.

Note D — Pensions

Unfunded past service costs of pension plans covering certain employees amounting to approximately \$360,000 at December 31, 1967, are being amortized over thirty-year periods. The amount charged to operations in 1967 for such plans was \$123,310.

Note E — Cash Dividends Paid

A dividend of \$0.75 per share was paid during the year on the outstanding shares of the Company, exclusive of the 822,000 shares owned by Fruehauf Corporation which waived its right to the dividend otherwise payable.

Note F — Executive Remuneration

Total remuneration paid by the company during the year to the directors and officers of the company amounted to \$97,233.

DUMP TRAILERS—This frame type rugged dump trailer is designed to haul aggregates, gravel, rock, sand and other similar loads at a low operating cost per mile.



AUDITORS' REPORT

The Shareholders,
Fruehauf Trailer Company of Canada Limited.

We have examined the balance sheet of Fruehauf Trailer Company of Canada Limited as at December 31, 1967 and the statements of net earnings, earnings retained for use in the business and working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the changes in working capital for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with the preceding year.

Toronto, Ontario.
February 2, 1968.

Touche, Ross, Bailey & Smart
Chartered Accountants.

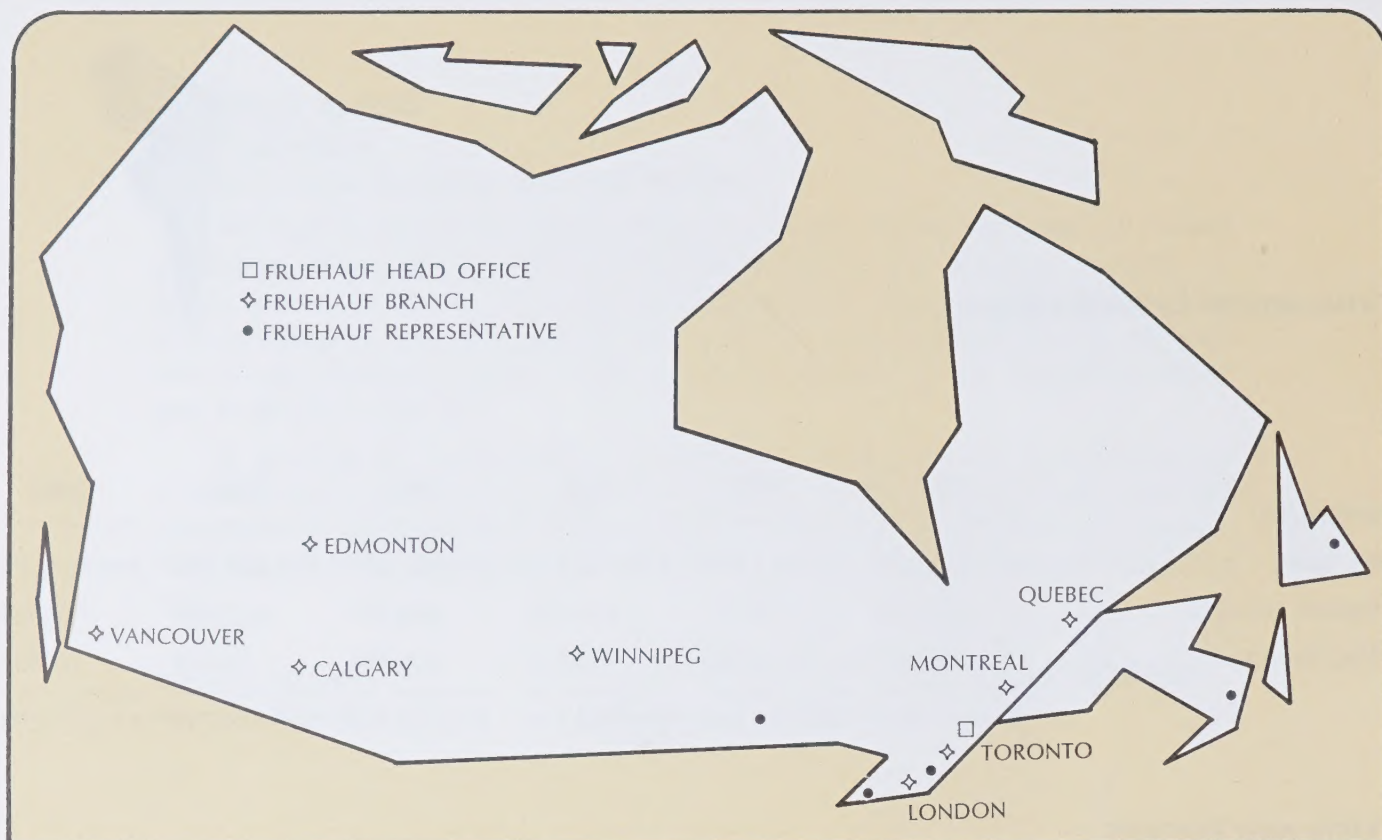


TRAIN OPERATION—“High Cube” van trailers operating together with a single power unit provide maximum capacity on a low cost per mile basis.



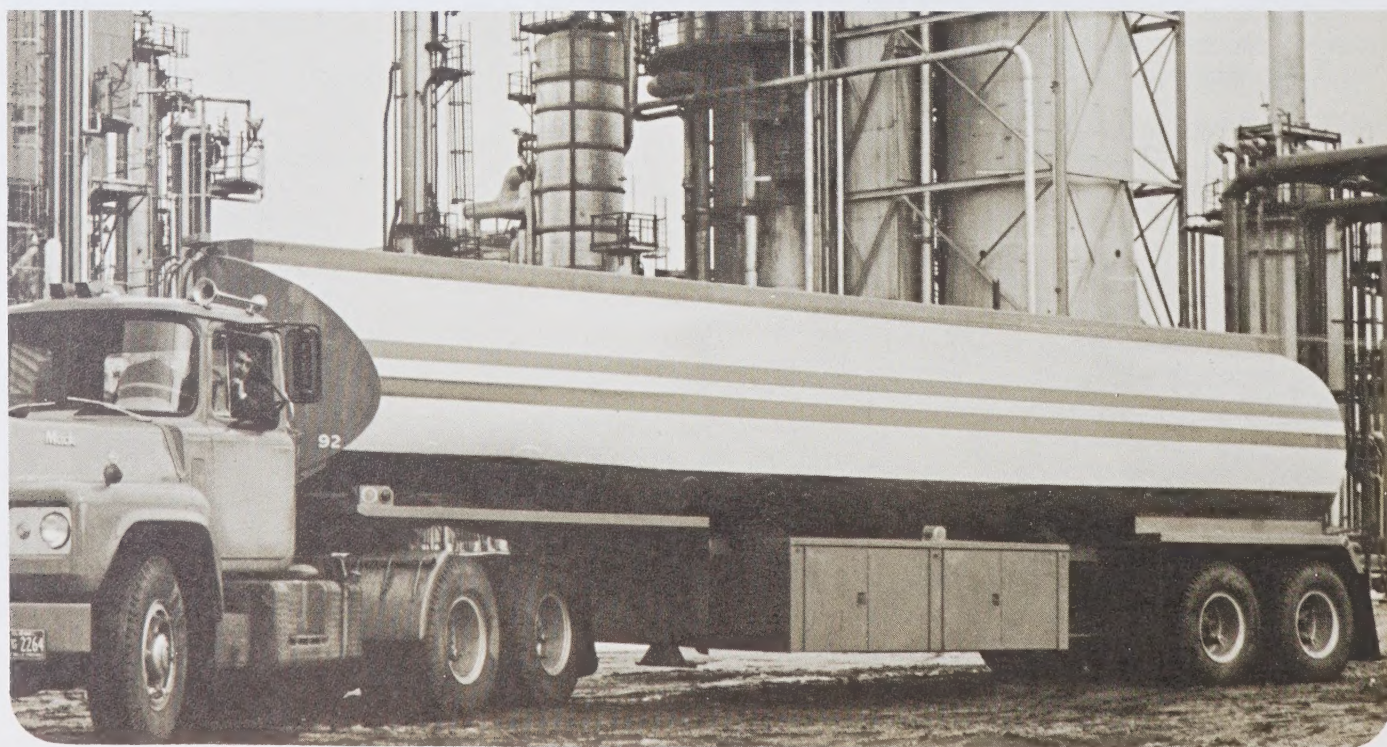
COMPARISON OF OPERATIONS

	1967	1966	1965	1964	1963	1962
REVENUES						
Net sales	\$22,952,426	\$22,911,688	\$19,348,156	\$14,867,023	\$12,627,354	\$10,787,579
Finance revenue	919,850	775,477	632,095	654,197	813,864	795,921
Miscellaneous	45,129	16,330	18,565	106,886	43,524	63,802
	<u>\$23,917,405</u>	<u>\$23,703,495</u>	<u>\$19,998,816</u>	<u>\$15,628,106</u>	<u>\$13,484,742</u>	<u>\$11,647,302</u>
COSTS AND EXPENSES						
Cost of products and service sold, other than items below	\$17,354,237	\$17,088,892	\$15,050,404	\$11,951,467	\$10,101,333	\$ 8,748,598
Selling and administrative expenses	1,729,576	1,697,042	1,470,490	1,257,888	1,021,817	965,621
Depreciation	870,094	743,372	573,113	420,003	393,880	351,887
Taxes — property, payroll and miscellaneous	286,365	252,443	183,177	174,162	171,735	160,600
Interest expense	328,757	326,715	254,604	253,098	271,331	279,300
	<u>\$20,569,029</u>	<u>\$20,108,464</u>	<u>\$17,531,788</u>	<u>\$14,056,618</u>	<u>\$11,960,096</u>	<u>\$10,506,006</u>
Earnings before Taxes on Income						
	\$ 3,348,376	\$ 3,595,031	\$ 2,467,028	\$ 1,571,488	\$ 1,524,646	\$ 1,141,296
Taxes on income	<u>1,778,000</u>	<u>1,925,000</u>	<u>1,285,000</u>	<u>767,000</u>	<u>32,000</u>	<u>14,982</u>
NET EARNINGS	<u>\$1,570,376</u>	<u>\$ 1,670,031</u>	<u>\$ 1,182,028</u>	<u>\$ 804,488</u>	<u>\$ 1,492,646</u>	<u>\$ 1,126,314</u>
Net earnings from each dollar of net sales	6.8¢	7.3¢	6.1¢	5.4¢	11.8¢	10.4¢



COAST TO COAST—Fruehauf Service covers all of Canada with complete repair facilities at each location. A National Company serving the entire nation.

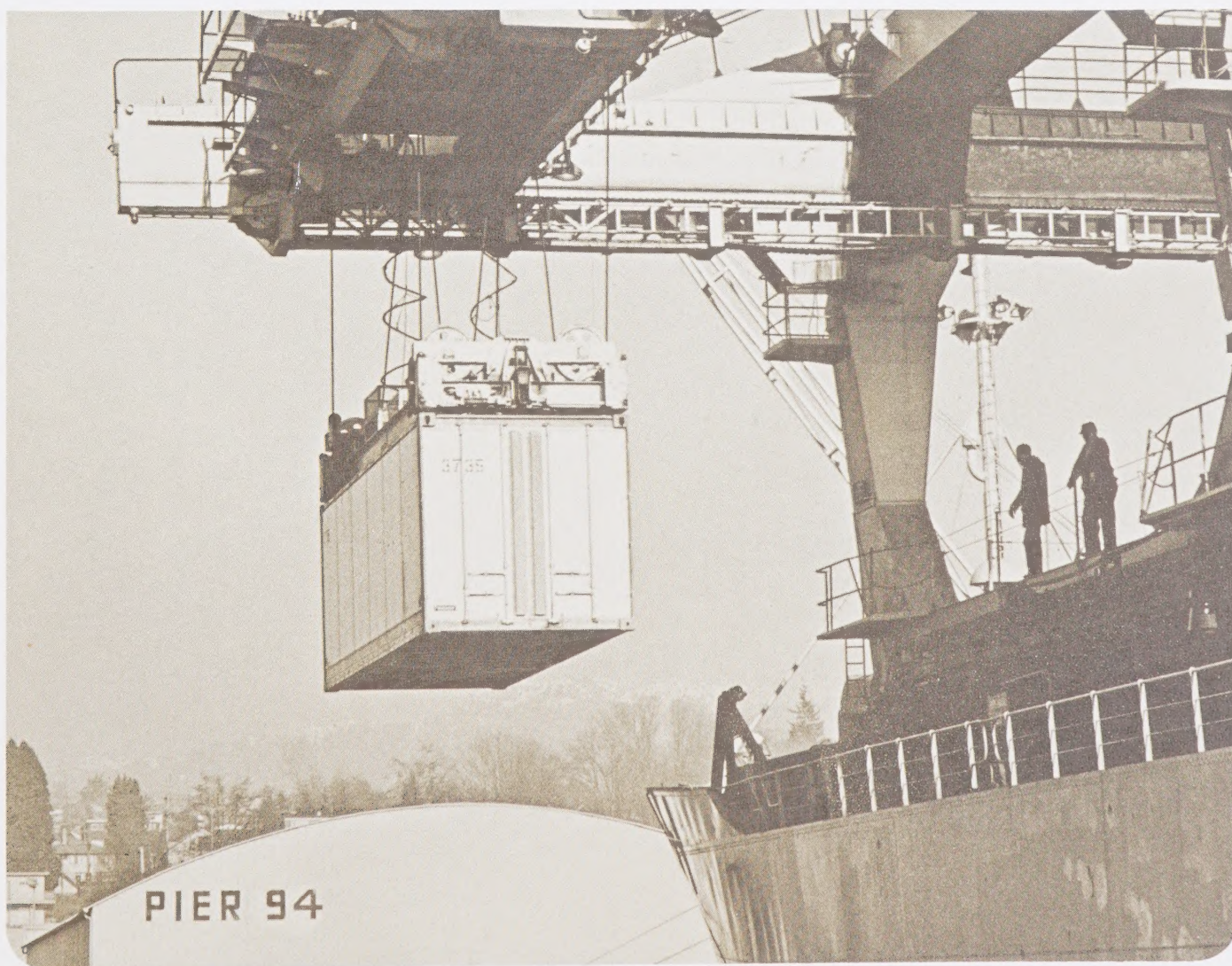
SPECIAL PRODUCT TRAILERS—Fruehauf tank trailers, designed to meet the varying requirements of special product shipment, speed deliveries throughout the country.





RAIL CONTAINER—A train load of Fruehauf containers ready for shipment across Canada. Fruehauf containers are available in varying design modifications to meet the requirements of road-rail-sea interchangeability.

SEA CONTAINER—A Fruehauf precision built container being loaded aboard a Canadian container ship. These rugged high-strength containers are stacked six deep in a ship's hold, ensuring the ultimate in safe, economical transportation.





FRUEHAUF TRAILER COMPANY OF CANADA LIMITED